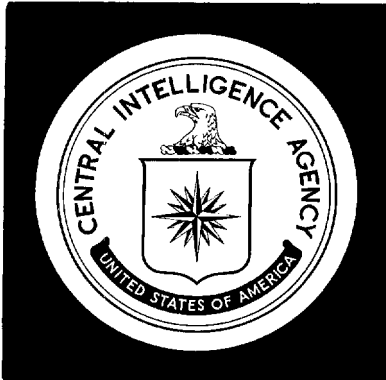


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13 May 1972

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13 May 1972

# *Central Intelligence Bulletin*

## CONTENTS

25X1

CHILE: Allende is changing his tactics on expropriating ITT. [REDACTED] (Page 8)

25X1

25X1

Approved For Release 2004/05/05 : CIA-RDP79T00975A021900030002-4

Next 8 Page(s) In Document Exempt

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\*CHILE: PRESIDENT ALLENDE HAS CHANGED HIS GAME PLAN FOR EXPROPRIATING ITT INTERESTS, APPARENTLY UNDER PRESSURE FROM EXTREMISTS IN HIS COALITION.

ALLENDE RECENTLY HAD REASSURED US OFFICIALS THAT WAYS COULD BE FOUND TO HANDLE THE ITT CASE REASONABLY. HE HAD ANNOUNCED THAT HE WOULD SEND A BILL PROVIDING FOR EXPROPRIATION OF THE COMPANY'S CHILEAN INTERESTS TO CONGRESS ON 5 MAY. AFTER HE FAILED TO DO SO, IT BECAME APPARENT THAT PROLONGED MEETINGS ON THE SUBJECT WERE BEING HELD BY COALITION LEADERS WHO COULD NOT SETTLE ON A COMMON POLICY. ONE OF THE STRONGEST ARGUMENTS AGAINST ALLENDE'S "REASONABLENESS" BY EXTREMIST SPOKESMEN IS THAT IT HAS NOT RESULTED IN THE EXTERNAL FINANCIAL CREDITS THAT HE CLAIMS SUCH A POLICY WOULD YIELD. THE TENOR OF THE DISCUSSIONS WAS REFLECTED IN ECONOMY MINISTER VUSKOVIC'S ATTACK ON 30 MAY AGAINST US "OBSTRUCTIONISM" IN INTERNATIONAL LENDING AGENCIES WHERE CHILE HAS REQUESTS PENDING.

25X1

ON 11 MAY ALLENDE TOLD THE US AMBASSADOR IT HAD BEEN DECIDED THAT THE ITT EXPROPRIATION REQUIRED A CONSTITUTIONAL AMENDMENT RATHER THAN SIMPLE LEGISLATION AND THAT THIS WOULD PROVIDE FOR A TRIBUNAL SIMILAR TO THE ONE INCLUDED IN THE COPPER NATIONALIZATION AMENDMENT. YESTERDAY HE SUBMITTED THE PROPOSED AMENDMENT TO CONGRESS. LIKE THE ONE PASSED LAST YEAR TO NATIONALIZE US COPPER INTERESTS, THIS AMENDMENT PROVIDES FOR SUBTRACTING "EXCESS PROFITS" FROM THE VALUE OF COMPANY ASSETS IN DETERMINING COMPENSATION TO BE PAID TO THE COMPANY. HE ALSO PROPOSED CANCELLATION OF ITT'S TELEPHONE CONCESSION ON THE GROUND THAT ITS TERMS HAVE BEEN VIOLATED. DESPITE HIS ATTEMPTS TO REASSURE THE AMBASSADOR AND THE VAGUENESS OF DETAILS ON THE ACTUAL PLANS, ALLENDE APPEARED TO RECOGNIZE THAT AN APPROACH SO SIMILAR TO THE COPPER NATIONALIZATION COULD RAISE SERIOUS PROBLEMS IN RELATIONS WITH THE US.

THIS IS NOT THE FIRST TIME ALLENDE HAS RETREATED UNDER RADICAL PRESSURE. EXACTLY A YEAR AGO, EXTREMIST OFFICIALS FORCED HIM TO BACK DOWN

13 May 72

Central Intelligence Bulletin

8

AT THE LAST MINUTE FROM THE AGREEMENT HE HAD REACHED PERSONALLY WITH THE CERRO CORPORATION. THERE HAVE BEEN SEVERAL SIMILAR REVERSALS SINCE THEN. NOW, WITH JACK ANDERSON'S ALLEGATIONS THAT ITT HAS MEDDLED IN INTERNAL CHILEAN AFFAIRS AND WITH A FRENCH JOURNALIST'S ALLEGATIONS OF ITT'S SHORTCHANGING CHILE IN ITS TELEPHONE OPERATIONS, THE EXTREMISTS HAVE STRONG ARGUMENTS ON THEIR SIDE. IN ADDITION, THE COMMUNISTS, WHO HAVE SUPPORTED A CAUTIOUS LINE IN THE PAST, ARE SHOWING SIGNS OF CONCLUDING THAT MORE RADICAL POLICIES ARE INESCAPABLE IF THE POPULAR UNITY GOVERNMENT IS TO CONSOLIDATE ITS POWER IN THE FACE OF GROWING OPPOSITION.

\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

13 May 72

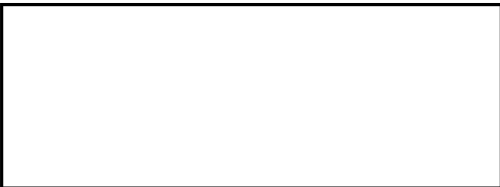
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9

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